

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop C2-21-15  
Baltimore, Maryland 21244-1850



**Division of Integrated Health Systems/Family and Children's Health Programs**  
**Group/Center for Medicaid and State Operations**

October 9, 2002

Gail L. Margolis, Deputy Director  
Medical Care Services  
Department of Health Services  
714 P Street, Room 1253  
Sacramento, CA 95814

Dear Ms. Margolis:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving California's request for a two-year continuation of its Sacramento Geographic Managed Care (GMC) model waiver program authorized under sections 1915(b)(1) and (b)(4) of the Social Security Act (the Act). The State is granted ongoing waivers of Sections 1902(a)(1)-Statewide; 1902(a)(10)(B)-Comparability of Services; and 1902(a)(23)-Freedom of Choice. We acknowledge the State's request for waiver authority under section 1915(b)(2). However, we are not approving this request because authority under section 1915(b)(2) is unnecessary for the Sacramento GMC program, as it does not use a locality as an enrollment broker.

We note that the State did not meet the terms and conditions regarding reporting requirements for children with special health care needs that were part of the last approval. Although we commend the State for making progress in the formation of the Medi-Cal Managed Care Children with Special Needs Taskforce, the State must adhere to the terms and conditions set forth in this approval letter. We request that the State provide CMS with monthly updates on the progress of both projects.

We also note that the Sacramento GMC waiver program will need to be amended in order to comply with the Medicaid managed care final regulations published on June 14, 2002. States have until August 13, 2003 to have these regulations fully implemented. In order to meet this date, the State must submit a waiver modification request no later than April 13, 2003, indicating how it will comply with the August 13<sup>th</sup> deadline.

After extensive analysis and review of your request for a waiver renewal, I am approving your request for the period **October 9, 2002 to October 8, 2004**. Approval of this waiver request is in accordance with the requirement that the program has met statutory and regulatory requirements for access to care and quality of services, and will continue to be a cost-effective means of providing health care services to the Medi-Cal population in Sacramento County.

Approval of this request is contingent upon the following conditions:

1. The State will submit to CMS, within 90 days of this approval, how the State will comply with the requirement that a Medical Care Advisory Committee review the marketing materials for the Sacramento GMC plans. This is a self-implementing provision of the BBA and requires immediate implementation.
2. The State will periodically report on the Sacramento GMC program the number of children enrolled in Medicaid managed care who are in each of the five specified groups of children with special health needs, as defined by the Balanced Budget Act (BBA). The State will identify, or require the health plans to identify, children in BBA categories 1, 2, 3, and 4 through Medi-Cal program aid code analyses and, if necessary, identify category 5 through manual review. The State will submit these data to CMS on an annual basis.
3. The State will require the Sacramento GMC plans to categorically code and report the number of children that the plans identify through programmatic linkages and community liaison activities with other entities if the children are identified to be in any one of the five BBA categories and were not previously identified as such.
4. With respect to quality of care, the State will continue to conduct, or require the health plans to conduct, a study which will stratify its analyses such that outcomes for children in the BBA categories are discussed and assessed. Or, the State or plans may perform a quality study that focuses solely on special needs children as defined by the BBA.
5. The State will require the plan to manually review member grievances involving children identified by the BBA as having special health care needs. The State will require the plans to report these data to the State on a periodic basis and the State will submit them to CMS on a basis no less than annually.

**Ms. Gail L. Margolis**  
**Page 3**

6. The State, on a basis no less than annually, will provide CMS with data on the number of children who voluntarily change primary care providers within the plan.

We appreciate the State's efforts in continuing this program and wish you much success in your continuing activities in this area. If you have any questions, please contact Linda Minamoto in the CMS San Francisco Regional Office, Division of Medicaid, at (415) 744-3568.

Sincerely,

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Michael Fiore  
Director